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C O N F I D E N T I A L SECTION 01 OF 03 CANBERRA 000492

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STATE FOR OES/EGC TALLEY, DOE FOR SHRIER, WHITE HOUSE FOR BROWNER

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TAGS: SENV KGHG ECON AS
SUBJECT: AUSTRALIAN OPPOSITION SEEKS TO DELAY EMISSIONS TRADING VOTE

REF: A. 08 CANBERRA 1279
1B. CANBERRA 437

Classified By: Acting Economic Counselor Wendell Albright, Reasons 1.4(b)(d).

11. (SBU) Summary: The Opposition Coalition (Liberal and National Parties) announced May 26 that they will move a motion in the Senate to delay a vote on the government's Carbon Pollution Reduction Scheme (CPRS) (ref A) until 2010. The attempt to put off a decision on the CPRS is based on the current state of negotiations over climate legislation in the U.S., the degree of protection against carbon prices offered to U.S. industry, and the decision of several other countries to delay action on emissions reductions until the domestic U.S. position is clearer. The Coalition is currently split over the CPRS, and Opposition Leader Malcolm Turnbull appears to be buying time to try and forge a reduction target going into the Copenhagen negotiations. The determination to delay could potentially give the government a trigger to call for early elections.
End Summary.

VOTING TO DELAY A VOTE

12. (SBU) Opposition Leader Malcolm Turnbull announced on May 26 that the Coalition of Liberal and National Parties would attach an amendment to the CPRS bills to delay any vote until after the UN Framework Convention on Climate Change meetings at Copenhagen conference in December. It was senseless, Turnbull argued, to take on legal commitments in the midst of ongoing negotiations in the U.S. Congress over what a U.S. deal would look like. The political process in the U.S. would largely determine the "standard" for national action to reduce emissions internationally, and strongly influence Copenhagen's outcome. Turnbull said that the current Rudd plan provided far less protection for domestic industry than offered in draft legislation being worked on in Congress, and that several other countries, like Canada, had put their national actions on hold while waiting to see what would happen in the U.S. Turnbull offered unconditional support

for an Australian mid-term emissions reduction target of at least 5 percent by 2020, and suggested in the interim that Australia should establish a "voluntary carbon market" along the lines of the Chicago Climate Exchange. He said the Coalition would also seek to amend the bills to instruct the Productivity Commission to study the impact on job growth in Australia.

13. (C/NF) Econoff spoke with climate advisor to Opposition Spokesman on Climate Andrew Robb on May 26. According to Stuart Eaton, the announcement's most important change is the commitment to bipartisan support for at least a 5 percent reduction in emissions following Copenhagen. Eaton said the Coalition party room was strongly united behind the concept of deferring the vote until a clearer picture of the international outcomes is available. Should the Rudd government be able to meet its standards for adopting a higher goal of up to 25 percent (based on an international deal to reduce emissions) then the Coalition was offering unconditional support for that outcome as well. Few positions within the party room would change next year, Eaton said, but an international deal that met Rudd's conditions would make many of the Opposition's concerns disappear. Eaton said that the advice offered the opposition was that the threat of a "double dissolution" would be minimized or eliminated by a successful vote to amend the bills to defer

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them and conduct a Productivity Commission review.

OPPOSITION DIGS IN

14. (SBU) The Rudd government's CPRS plan faces delay or resistance at nearly every turn. The government's timeline had been to pass the CPRS legislative package during the June sitting of Parliament. The Greens, who are adamantly opposed to the relatively low cuts in the bill, want a vote on the package as soon as possible so they can vote against. Independent Senator Nick Xenophon has said publicly that the bills should not be voted on this session. Hard line opposition by the largely rural National Party to the bill has left those in the Coalition who might support the plan hanging. The Labor Party, without a majority in the Senate, needs at least seven non-Labor votes for the CPRS to pass in the Senate. If the Senate fails to act or rejects a bill twice, Rudd could potentially use the setback to call for a "double dissolution" early election. While Rudd has not indicated whether he would use that leverage, most pundits think this would hurt the Nationals, Liberals, and Independents and help the Labor Party and Greens. Uncertainty would remain over whether a successful amendment to delay consideration of the bills (which is unlikely given the majority the government holds in the House) would constitute a "failure to pass" on the bills and provide a possible double dissolution lever. The Climate Institute's John Connor told econoff on May 26 that it would be "good times for constitutional lawyers," if things developed that way, as both sides would likely call on the High Court to settle any ruling that went against their interpretation.

15. (C) Signs of concern in the government were clear over the past few weeks. The concessions made by Rudd and Climate Minister Wong on May 4 (ref B) were substantial but not likely to be enough to win passage of the bills. Climate Minister Penny Wong (now on travel to the Major Economies Forum in Paris) hit Turnbull hard May 15-20 in a series of media interviews where she noted the deep division in the opposition and publicly dared Turnbull to come up with a "consistent position." Department of Climate Change Assistant Secretary Barry Sterland invited econoff in to discuss the changes in the bills on May 8, and took pains to state that the "message for the U.S." was that the government was "absolutely" determined to pass the bills. The Australian Conservation Foundation (the largest environment

NGO in Australia) said on May 20 that their support for the CPRS was "conditional" based on linking improved environmental performance to economic assistance to industry (A\$13 billion between now and 2016) in the bills. The results of economic modeling commissioned by the Minerals Council of Australia (the head mining lobbying group) were released on May 21 and claimed to show that 26,000 jobs would be lost in Australia's resource sector Q26,000 jobs would be lost in Australia's resource sector under the plan. Australia Industry Greenhouse Association CEO Michael Hitchens told econoff on May 22 that business "wants action on climate - we just want any plan but this plan." Hitchens, who has previously told us industry sees little value in delay, inquired about the timelines facing congressional action on climate in the U.S. Nationals Senator Barnaby Joyce told the media on May 24 that the National Party wanted to deliver certainty for Australian business, and that certainty was "no."

GREENS VIEWS

16. (C) Greens Senator Christine Milne's climate advisor Oliver Woldring told econoff on May 15 that the Greens were "not kingmakers" on this issue. He said that, in his view, the Opposition would work to defeat the legislation if

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brought forward in June, but pass it with some minimal further concession in September to avoid a double dissolution, which would be "very bad" for the Liberals, and "very good" for the Greens. Greens Leader Bob Brown's Chief of Staff, Ben Oquist, told poloff on May 26 that he assumed business had put a lot of pressure on Turnbull to accept the deal, but with the Coalition divided, all Turnbull can get a consensus on is outright opposition or a delay. Oquist told poloff that it made no sense for the government to force a vote on the bill before Copenhagen as it would leave Australian negotiators with no flexibility. Oquist said the Greens could accept a deal with the government if it made the current legislation much tougher on emissions and adopted a hard commitment to a 25 percent reduction over 1990 levels by 2020 regardless of the international position. The Greens had acted constructively so far, Oquist noted, but that was likely to change soon. Milne herself told the media on May 26 that "delay equals death" for the government's timeline, and reiterated opposition to the current form of the CPRS.

17. (SBU) Comment: Turnbull is playing a bad hand, taking the weakness of a divided party and trying to parlay that into a delay, to inflict a loss on the government and buy time to come up with a coherent Coalition policy. By playing on fears over further job losses and the lack of clarity in where U.S. policy will end, he hopes to put off having to either split the Coalition and support the CPRS or knock it back and see what Rudd does before Copenhagen. Simply delaying the scheme will neither bring supporters on board nor take industry pressure off Turnbull, but it will provide more time to calibrate more closely with a U.S. plan and squeeze a few more concessions from Labor. End Comment.

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